

# MISSING PAGE

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SECURITY INFORMATION~~CONFIDENTIAL~~Development from October 1950 to the Present

In October 1950 the organization of the Central Intelligence Agency gave positions of pre-eminence to officials who were primarily administrators. The Executive, an administrator, <sup>we</sup> controlled not only the administrative offices such as personnel, services and finance, but the operating offices as well (see chart 2). This necessarily resulted in policy control over intelligence Offices by those not qualified in intelligence work. ? ✓

The Director of Central Intelligence, as stated before (Concept and Nature of the Task), has been given broad statutory authority to guide and direct the Agency. This authority was used during the period October 1950 to the present to make important changes from the October 1950 control by administrators. <sup>we</sup> Where the command function at that time was through an administrator (the Executive), it is now through three Deputies. The Deputy Director for Administration--an administrator--now controls only the administrative offices (see chart 3). The Deputy Director for Central Intelligence and the Deputy Director for Plans are commanders, so to speak, of the operators.

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The policy established by the Director of dividing administrative control from operating control and operating control

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~~and~~ the intelligence activities centered at headquarters and <sup>centered</sup> control over intelligence activities abroad has had effect not only upon the internal organization of the Central Intelligence Agency but also upon the responsibility for that organization. In October of 1950, the responsibility was that of the Executive--with the understanding, of course, that his decisions be consonant with the policies of the Director. At the present, responsibility rests with the three Deputy Directors, each for his own particular field, with the Deputy Director for Administration, in addition, having responsibility throughout for supplementary staffing to achieve <sup>(Domestic Affairs)</sup> support.

In October of 1950 all offices--administrative, operating, and intelligence--existed under a single command. At that time the offices were as follows: The administrative staff (overt); the Special support staff (covert); Office of General Counsel; Inspection and Security staff (including Audit); Medical staff; Office of Special Operations (OSO); Office of Policy Coordination (OPC); Office of Operations (OO); Office of Intelligence Coordination (OIC); Office of Collection and Dissemination (OCD); Office of Scientific Intelligence (OSI); Office of Reports and Estimates (ORE); and Office of Current Intelligence (OCI). (See chart 2).

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At the present, with the existing tri-partite responsibility for the three separate fields, Central Intelligence Agency organization has been shaped in accordance with the individual conceptions of its Deputy Directors and the governing policies of its Director.

Reporting to the Deputy Director for Administration through the Assistant Deputy Directors are the Personnel Office, Comptroller's Office, ~~Procurement Office~~, ~~Administrative Services~~ Office, Medical Office, and Audit Office. Advising him at the level of his Assistant Deputy Directors are two Offices which encompass all of Agency activity--General Counsel and Inspection and Security. ~~Responsible~~ <sup>Responsible</sup> ~~Responsibility~~ to him at another level is an advisory group charged with examining and studying internal management. This is the Office of the Advisor for Management (see Chart 4).

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The Deputy Director for Plans--an official non-existent in October of 1950--has developed his field of responsibility into the following Offices:- The Office of Policy Coordination (OPC); Office of Special Operations (OSO); Office of Operations (OO); Office of Communications (Commo); and Technical Services Staff (TSS). (See Chart 5.)

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The Deputy Director for Central Intelligence, whose command area covers those intelligence activities primarily centered in headquarters, has become responsible for directing and coordinating the Office of Intelligence Coordination (OIC); Office of Collection and Dissemination (OCD); Office of Scientific Intelligence (OSI); Office of Current Intelligence (OCI); Office of Research and Reports (ORR); and Office of National Estimates (ONE). (See chart 6.)

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In the CIA there exists the difficult problem of administration of an organization which carries out two types of activities--overt and covert. Many of the Agency's problems are highly specialized and by their very nature prevent normal administrative practices. In addition, there is the unconventional character of secret work abroad, which, when compounded, with special security requirements, obviously indicates a need for special administrative treatment.

Recognition of this concept before October 1950 lead to the organization then existing. Although a Personnel Director and Budget Officer acted as advisors to the Executive, the

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administration of all personnel, services and finance functions was decentralized. A Special Support Staff, headed by a Chief, was charged with these activities for the covert offices, while an administrative staff also headed by a Chief, was responsible for them on the overt side (see chart 2).

Experience with decentralized administration soon indicated that, although the demands of security often impose special and unusual procedures, efficient and economical organization had to be recognized. For example, it was pointless having the covert personnel office unwittingly compete with the overt personnel office for the same individual; it was inequitable allowing the overt office to pay in excess of covert office salaries for a comparable responsibility; it was uneconomical using (two doctors where one properly served the purpose.)

Accordingly, present CIA organization provides for greater centralization than before. There is now but one Assistant Director for Personnel; but one Comptroller; and but one Medical Office. (See chart). <sup>#3</sup> Procurement activities, rather than being divided into two categories, have been amalgamated into one. Travel and transportation are accomplished throughout the Agency by a single Transportation Division. Reproduction has been centralized at one location. A Real Estate and Construction Division

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operates for both overt and covert sides. However, successful centralization of administrative functions in the Central Intelligence Agency is a difficult task. It must be accomplished with an understanding of the mandate of the organization and of situations which demand seemingly uneconomical administrative arrangements. It is a problem not yet entirely solved.

\* \* \*

The covert offices of the Central Intelligence Agency perform individual operations, the administrative support of which reaches extensive proportions. These operations involve ownership--corporate and proprietary--, preclusive buying, investment, and other normal business functions for which administrators, rather than intelligence officers, are qualified. Some missions can be effectively, securely, and efficiently performed through the use of men, money, and materiel already in use in operations in the same locale at approximately the same time.

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In October of 1950, what machinery did exist for coordinating the support of such Agency projects was not effective. Evolution and frank appraisal have led to the reconstitution of the Covert Coordination Committee, a senior body established to

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provide for administrative planning and control of covert projects. To accomplish a similar mission, a Commercial Division has been organized in the Office of Policy Coordination to assist the Assistant Director of Policy Coordination, as well as line divisions, in business management aspects of proprietary [REDACTED] projects. A further example of effort along this line is the Joint OGD-CPC Covert Air Support Board--set up for the very reason that there should be no conflict of effort by two Agency Offices in this very important field. The responsibility of the Deputy Director for Administration to achieve proper coordination in support functions has not been fulfilled. Continued work along this line is necessary.

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In the Central Intelligence Agency, the pressure to build rapidly has been strong, and there has been little time to digest or achieve stability. Statistics point up this fact.

In October of 1950, total duty strength was [REDACTED] As of the date of this report, December 31, 1951, it is [REDACTED] and personnel recruitment in actual operation will increase it to approximately [REDACTED] by June 30, 1952.

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By October of 1950 the Central Intelligence Agency had completed a fiscal year requiring expenditure of [REDACTED] while

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at the present it is preparing a budget for [REDACTED]

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In October of 1950, headquarters and field space occupied totaled [REDACTED] square feet. As of December 31, 1951, this had become [REDACTED] square feet.

The expansion indicated by these figures has imposed serious problems on efficient administration of the Central Intelligence Agency. From the personnel point of view, for example, it has placed emphasis on meeting quotas, rather than on continuous and systematic in-service placement. This militates against assurance of best use of employees' abilities and capabilities and has a detrimental effect upon morale.

Expansion has demanded a different conception of personnel work from that existing in October 1950, and in recognition of this, the Director has established the position of Assistant Director for Personnel <sup>over then</sup> ~~under~~ the existing Personnel Director. The position was filled on July 7, 1951, and a staff serving the new Assistant Director for Personnel has accomplished a comprehensive survey of policies, organization, and procedures, part of which has been put into effect. Other achievements, specifically, include a realistic programming to obtain the Agency's manpower requirements--something particularly difficult in view of the sensitive security considerations which limit recruitment, and the special need for highly

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specialized talents; improved relations with the National Selective Service Headquarters and the Defense Department; a reorganization of the Personnel Office to centralize personnel procurement, classification, and wage administration; and progress in simplifying and standardizing personnel methods.

The youth of the Central Intelligence Agency and the conditions of expansion and change which have prevailed since October 1950 have made the task of holding personnel difficult. Persons who might be qualified and interested in intelligence as a career have been discouraged from entering the field or have left it. As a consequence, it became impellent upon the Agency to develop a definite career service concept. This program has been inaugurated, and individual working groups have been named and are functioning to recommend: (1) Selection of <sup>career force</sup> criteria, (2) systems of performance appraisal, (3) procedures for job rotation, (4) career benefits, (5) standards and methods for recruiting career trainees, (6) career training facilities.

<sup>since October 1950,</sup>  
Despite progress ~~in the field~~, personnel remains among the unsolved problems of the Agency. Considerable effort must be spent to shape a sound program of personnel management within the organization. This should include planning for more effective in-placement work, as well as installation of procedures through which the career

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service program can function. Necessary, also, is a determination of the extent to which personnel centralization--already started--should include the covert offices.

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The rapid pace of expansion has left real need for full examination of the Agency's entire budget operation. In October of 1950, there appeared to be no serious fiscal problem, and the Central Intelligence Agency, favored by adequate Congressional support, was hampered by lack of ~~neither~~ <sup>or</sup> funds ~~nor~~ the special security handling of those funds. Both Congress and The Bureau of the Budget refrained from examining in detail, the internal working of the Central Intelligence Agency in order to determine justification for the budget.

In the period of expansion from October 1950 to the present, the Office of the Comptroller performed outstanding work in rendering day to day financial services to continuously expanding offices and ever increasing numbers of complex operational projects. It accomplished its task by an evolutionary process of a molding of systems and procedures to changing and growing needs. Its basic approach continued to be the same, and it did not stop to reorganize.

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Such reorganization may never appear to be necessary, and in fact, limited improvements in the right direction may well be more effective than "master" plans which cause major disruptions. However, the quilt that has been built has been a patchwork quilt, and as it is constructed to provide the basis for a permanent and stable organization, it must be reviewed and examined and known to be correct. More important, perhaps, in the budget field are Agency relations with the Bureau of the Budget and Congress. In October of 1950, the size of the Agency budget allowed it to be included in a number of separate

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[REDACTED] Budget proposals for the fiscal year beginning July 1, 1952 total [REDACTED] and 25X1A1a this amount might well expand presently used appropriation items to the point that they will have to be identified. In addition, the very size of the proposed budget for 1953 might well cause the Bureau of the Budget to scrutinize carefully internal activities of the Central Intelligence Agency and bring to an end the discretion, security, and special treatment heretofore granted. } ✓ ?

There has been adequate recognition of the two budgetary problems which growth and expansion have caused. A senior consultant has been obtained to review and advise continuously on major aspects of the fiscal problem--with particular reference to the complex problem of covert financing and foreign exchange. There have been continuous senior deliberations on the second question. Solutions suggested

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have been to recognize a division of the Agency's "cold war" and intelligence functions and either (1) break down the budget into two brackets or (2) act as an operating agent in the "cold war" field with the military providing the necessary funds and personnel.

Though present arrangements for handling the difficult budgetary questions of the Central Intelligence Agency have been soundly conceived, there are indications that examination of the budget operation is necessary. Two problems are outlined on the horizon, and they must be solved to assure the Agency the funds and special security necessary to carry out its responsibilities.

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Growth and expansion from October 1950 to the present have created a major problem in the administration of the Central Intelligence Agency security program. Assuming the utmost in thoroughness in investigation of applicants, the best investigative aids, a perfection in guard systems, in protective devices, and in controls, real security is no better than the leadership exercised by supervisors and the personal security assumed by each individual employee. When an agency has been stabilized with only a small turnover of personnel, and when it has had a chance to catch its breath, personal security is easier to achieve. In the period October 1950 to 31 December 1951, this has not been possible, and though there has been no evidence of any laxness in administrative arrangements for security, there have been evidences of strain.

During the period, sound security policy was not used in a number of operational projects and certain errors and compromises resulted. Indoctrination of employees upon their initial contact with the Agency requires improvement, and initial briefing of light official cover personnel needs a general tightening up. However, no major penetrations of the Agency have been discovered;—rather a number of possible penetrations have been found in advance by counter-intelligence research. The Agency has not had one case of an alleged subversive brought before Congress, before the public by allegations in the press, or reported by the FBI.

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In spite of apparent success in its major mission, there are a number of circumstances and policies which, as of 31 December 1951, still detract from the general security of the Central Intelligence Agency.

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In the Washington area the Agency occupies [REDACTED] an increase of [REDACTED] since October 1950. This large number of buildings, many widely separated and all readily identified as belonging to the Central Intelligence Agency, creates a definite security hazard. The transportation and courier systems necessary to maintain such a widespread installation are not only costly but also create many risks in the transit of documents, in the collection of classified waste paper, and in inter-office visits by personnel. Efforts to correct this situation--made continuously by requests to Congress for a single building--must be continued.

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The Central Intelligence Agency combines in a single organization a wide variety of activities, many of which have different standards of security. The fact that some Agency activities exist, for example, is a matter of public record; the knowledge of others is highly secret. The security of covert activities, therefore, risks being compromised by the lower standards of security of the overt. Any knowledge whatsoever of the Central Intelligence Agency is, in fact, a tool in the hands of foreign intelligence analysts. Throughout the

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trend by the public to advertise existence of the Central Intelligence Agency and particularly its "cloak and dagger" aspects. The natural human dramatization of espionage and of secret operations has tended to highlight this, and there have been newspaper and magazine articles about the organization and its work. Where appropriate the Central Intelligence Agency has emphasized its duties as the coordinator of intelligence rather than its secret operations in order to cover the special activities entrusted to it. However, on any such occasion the general security of the Agency, of necessity, loses ground, and <sup>create</sup> ~~there~~ become new tools for foreign intelligence agents to use.

Serious thinking must continue to be given on a policy level as to how best to achieve the security that the Agency must have vis-a-vis the nation's press, public opinion, and ~~the~~ democratic process based on the freedom of information. There must be a determination of the extent to which the role of the Central Intelligence Agency as the centralized coordinator of intelligence should be publicly advertised—consideration given to disadvantages of disclosing anything vs. advantages of using overt activities to cover secret operations. Steps should be taken to improve the Agency's security by strengthening organizational discipline—an accomplishment which is particularly difficult in a period of expansion of physical facilities, of activities, and of personnel.

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In the period from October 1950 to the present it has been possible to maintain a sound security program with probably the highest standards in Government. However, known weaknesses exist and in order to continue its effectiveness, security must be continuously examined from within and from without.

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Among Central Intelligence Agency support activities is that of procuring, storing, and distributing all supplies and equipment for both overt and covert operations. In the 15 months from October 1950 to the present ~~this~~ <sup>this</sup> has become increasingly a matter of filling materiel requirements for the Office of Policy Coordination, whose budget has expanded from [REDACTED] for the fiscal year 1950 to a prospective [REDACTED] for the fiscal year 1953. The period itself has been one of growing shortages of critical materials ~~with~~ <sup>with</sup> accurate forecasts by the Office of Policy Coordination of the amount of such critical materials ~~has been~~ difficult and at times impossible. This problem has been compounded by the fact that much of the materiel procurement for the Office of Policy Coordination is in support of such highly sensitive activities that a complex arrangement--which at times must indicate no Government interest whatsoever--is demanded.

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During the early portion of the period under review, there existed operational planning without proper consideration of ~~the~~ <sup>al</sup> ~~existing~~ logistic support. By the establishment of the Projects Review Committee, a body composed of the Director and ~~the~~ three Deputy Directors which gives senior prior approval to major Agency projects, much has been done to overcome this shortcoming. The problem extends to a full appreciation by planners of the importance of an advance guarantee of adequate materiel support for any plan and to effective, prompt, and sufficient procurement for that plan. At the present time, projects reaching the Projects Review Committee are required to have firm determinations of logistical support and there has been a strengthening of the senior personnel of the Procurement Office which must give that support.

During the next year in the United States, as material shortages increase and allocation programs enlarge, the need for critical goods by the Central Intelligence Agency will continue to expand. The Office of Policy Coordination is charged with preparation ~~for~~ <sup>of</sup> extensive covert operations to be launched at the outbreak of a war. This involves administrative support in vast proportions of projects whose exact extent is not known. An immediate problem of the Procurement Office, therefore, is close coordination with OPC in a difficult and vital program of stockpiling. The close working relationship demanded of these two Offices points up a problem which exists, as well, between

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others. There is need in the Central Intelligence Agency for further inter-office understanding of something of the operation, limitations, and capacities on both sides <sup>of</sup> ~~the~~ separate cooperating offices. Those burdened with the responsibility of an operational mission, for example, should be appreciative of overriding circumstances which might prevent supply, and those charged with supply should understand the vital importance--perhaps to the point of violating established procedures--of adequate and prompt support of missions.

The necessity for such inter-office relationship is especially necessary between operating and administrative sections. Lack of it is a result of the ~~continued~~ <sup>internal</sup> of the youth of the Central Intelligence Agency, the historical birth of the Office of Policy Coordination (in which there were over two years of complete independence), the two separate standards of security, and over-emphasis in places of the compartmentalization of information on a "need to know" basis. Solution to the problem has been accomplished in part by new energy in the Central Intelligence Agency training program (see Annex 1), adoption in principle of the career service program, and a rotation principle to be made effective through the Assistant Director of Personnel. The situation, however, continues to be an aggravating one, and much work in this field remains to be done.

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The successful operation of an intelligence agency, particularly during a period of rapid expansion, requires that the directing staff continuously submit itself and its operations to critical self-examination. This is especially important in the administrative field in order to insure both effectiveness and economy of operation, and the Deputy Director for Administration consequently is charged with establishing and maintaining a continuous management improvement program.

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In the period under review, the Central Intelligence Agency has made forward steps in a management analysis program of reviewing and realigning organizational structures and procedures. The management-mindedness of the Agency itself has increased, and there have been major management studies which have resulted in tangible savings. In the fiscal year 1951, for example, these have amounted to over \$330,000.

The management function was initiated at the Agency's inception and has grown with it. However, during the first three years of Central Intelligence Agency existence, management did not operate in covert areas. Only immediately prior to October 1950 has management analysis been extended to the covert offices, and it is in these fields that the effort has been most incomplete and least successful. The youth of the relationship, the greatly increased management analysis office workload, and the continuous expansion of covert activities have been causes of the deficiency. The covert field remains an area in which there

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must be continuing management services, major management studies, and management advice.

Critical self-examination, in addition to being from the point of view of management improvement, must take place in the Central Intelligence Agency from the point of view of finance. Though Agency experience has indicated that unethical financial practices will not be followed by the majority of employees, even where there is no restraining influence in the form of an audit and inspection program, it appears that instances of abuse ~~do~~ ~~the~~ increase where there is lack of adequate financial audit and inspection. It also appears that there is a direct relationship between financial objectivity and integrity and operational objectivity and security, and that financial abuses tend to prevent or distort operational objectivity and result in unproductive and abortive efforts.

The acute need for internal audit in the Central Intelligence Agency is further pointed up by the fact that Congress, in the interests of national security, has authorized the Agency to account for <sup>featur</sup> funds by a certificate from the Director to the effect that funds have been properly spent for public benefit.

In the period October 1950 to the present a unit has been responsible for the independent audit of all Agency unvouchered funds and property. In April 1951 the stature of this unit was enlarged by the change of its organizational position from a

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reporting directly to the Deputy Director for Administration. However, during this time Agency staff employees have increased more than 30 percent, the number of covert agents by more than 50 percent, and the dollar volume of expenditure of appropriated funds has more than doubled. The number of operational projects has grown, not only in volume but also in complexity, and as a consequence there exists definite need for strengthening the audit and inspection program, especially with respect to proprietary projects and major field installations.

Recognition of the need for critical self-examination has lead to the use of a group of qualified senior consultants. The Medical Office and the office of General Counsel, for example, have been examined by experienced men of proven ability and national reput. The Comptroller's office is making continuous use of such a person, to aid in the examination, among other things, of weaknesses in the audit field.

The policy of the Central Intelligence Agency to examine itself and to call on senior experienced consultants has been an effective one. It must be extended to those areas not already touched.

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Conclusions

- (1) The three-part structure of the Central Intelligence Agency is a sound conception and has been helpful in the carrying out of Agency responsibilities.
- (2) The removal of control of intelligence officers from the hands of those who are primarily administrators has been beneficial.
- (3) Additional reorganization is required to achieve the centralization that is necessary for the proper administration of an expanding organization. This should place personnel, medicine, and training under one senior head.
- (4) There should be senior understanding of certain limitations of centralization, notably in the field of secret operations.
- (5) There must be continued effort to provide for administrative planning and control of covert projects.
- (6) The personnel program has been developed with quality suffering at the expense of quantity. There must be redirected planning toward more effective internal program.
- (7) Expansion of the Agency has caused a preoccupation with current matters and consequent neglect of longer term thinking.
- (8) The original conception of the budgetary function served the Agency adequately in an earlier period; however, recent growth

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demands that new arrangements be made to protect the special security granted in this field.

(9) The expansion of the Agency, an obvious interest of the press and public, has made difficult the full enforcement of the security principles of anonymity. A redefinition of what constitutes the "need to know" must be made from a policy level.

(10) Some waste in the rapidly expanding Central Intelligence program may be the necessary price of Agency security, but considerable tightening up is possible without damage--and even conceivably with benefit--to Agency objectives.

(11) There must be closer understanding and coordination between the overt and covert offices.

(12) The policy of the Central Intelligence Agency to examine itself has been an effective one. It must be extended to those offices not already reviewed.

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